



2005

Kristie -  
look at  
pages 6 & 28,  
HJ  
3/8/98

**Memorandum**

**To:** See Distribution  
**From:** Kriste Sullivan  
Clement Abrams  
**Date:** March 6, 1998  
**Subject:** ENE Proxy Statement – Third Draft

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Enclosed for your review is the third draft of the ENE proxy statement. Comments to this draft should be sent to Kriste Sullivan (EB4861) no later than Wednesday, March 11, 1998. Please call Kriste Sullivan (X37557), Clement Abrams (X35986) or Norma Tidrow (X67933) if you have any questions. If we have omitted someone from the distribution list, please let us know.

Thanks for your assistance on this project.

Enclosure

Distribution:	Cliff Baxter	Jan Johnson
	Dianne Bazelides	Mary Joyce
	Phil Bazelides	Mark Koenig
	Pam Butler	✓Ken Lay
	Bob Butts	Pat Mackin
	Rick Causey	Rebecca Mark
	Jim Derrick	Peggy Menchaca
	Robert Eickenroht	Rex Rogers
	Pat Edwards	Jeff Skilling
	Denise Ernest	Tom White
	Rod Gray	Mark Metts – Vinson & Elkins
	Ken Harrison	
	Stan Horton	

cc: Norma Tidrow



JB: H55700 PN: 009.00.00.00 SN: 11X <MG>

[PHOTO]

**JOHN A. URQUHART, 69**  
Director since 1990

Since August, 1991, Mr. Urquhart has been Vice Chairman of the Board of Enron. Since January, 1991, Mr. Urquhart has also been President of John A. Urquhart Associates, a management consulting firm in Fairfield, Connecticut. He also serves as a director of Aquarion Company, TECO Energy, Inc., Hubbell, Inc., The Weir Group, PLC. and Catalytica Inc. and its subsidiary, Catalytic Combustion Systems Inc.

*Prior to joining GE, Mr. Urquhart was  
of GE where he served in various  
executive positions for years.*

[PHOTO]

**JOHN WAKEHAM, 65**  
Director since 1994

Lord Wakeham is the retired former U.K. Secretary of State for Energy and Leader of the Houses of Commons and Lords. He served as a Member of Parliament from 1974 until his retirement from the House of Commons in April, 1992. Prior to his government service, Lord Wakeham managed a large private practice as a chartered accountant. In the U.K. he is currently Chairman of the Press Complaints Commission and chairman or director of a number of publicly traded U.K. companies.

[PHOTO]

**CHARLS E. WALKER, 74**  
Director since 1985

Dr. Walker is currently Chairman of Walker & Walker, LLC, a consulting firm in Potomac, Maryland. For two decades prior to establishing Walker & Walker LLC, Dr. Walker was Chairman of Charls E. Walker Associates, a governmental relations consulting firm, in Washington, D.C. He is also Adjunct Professor at The University of Texas at Austin. Dr. Walker, a former Deputy Secretary of the Treasury, is chairman of the American Council for Capital Formation.

#### EMPLOYMENT CONTRACTS

Mr. Lay entered into an employment agreement with Enron in December, 1996, which provides for a minimum salary effective January 1, 1997, of \$1,200,000. To preserve tax deductibility, any base salary in excess of \$1,000,000 must be deferred into Enron's 1994 Deferral Plan. The agreement provides for a grant of 1,275,000 stock options, 50% granted in December, 1996 and 50% granted in January, 1997, at market value on each date of grant. The stock options vested 20% on date of grant and will be 100% vested on November 1, 2003. However, the vesting schedule may be accelerated if Enron's total stockholder return equals or exceeds 120% of the S&P 500 in calendar years 1997, 1998, and 1999. The agreement also provides for a split-dollar life insurance arrangement, whereby Enron will pay five annual premiums of \$250,000 each on a life insurance policy already owned by Mr. Lay, with recovery of the cost of such premiums upon Mr. Lay's death; benefits payable under Enron's Deferral Plans and the HNG Deferral Plan in the event of Mr. Lay's termination of employment, will be paid as if Mr. Lay had retired from Enron, regardless of the reason for termination; and the maturity date on Mr. Lay's \$4,000,000 interest bearing line of credit was extended to December 31, 2001. The highest outstanding principal balance on the line of credit during 1997 was \$2,903,116. Mr. Lay paid accrued interest in 1997 totaling \$83,324.72, at an average rate of 6.36%, representing the mid-term AFR. As of February 28, 1998, the outstanding principal balance was \$2,390,000. In the event of his involuntary termination, Mr. Lay will receive amounts prescribed in the agreement, offset against amounts payable under the severance plan maintained by Enron, through the term of the agreement, which expires on December 31, 2001. If severance remuneration payable under the agreement is held to constitute an "excess parachute payment" and Mr. Lay becomes liable for any tax penalties imposed thereon, Enron will make a cash payment to him in an amount equal to the tax penalties plus an amount equal to any additional tax for which he will be liable as a result of receipt of the payment for such tax penalties and payment for such reimbursement for additional tax. The employment agreement contains noncomplete provisions in the event of Mr. Lay's termination of employment.

Mr. Skilling entered into an employment agreement with Enron in January, 1996, which as amended, provides for a minimum annual salary of \$750,000. In January, 1997, the agreement was amended to reflect Mr. Skilling's enhanced duties as President and Chief Operating Officer of Enron. The amended agreement provides for a revision of the vesting schedule on 500,000 stock options granted on August 29, 1994, such that one-third of the options will vest on each May 1 in 1997, 1998, and 1999. In the event of his involuntary termination, Mr. Skilling will receive amounts prescribed in the agreement through the term of the agreement. In order to tie Mr. Skilling's compensation more closely to Enron Corp. stock performance as opposed to any one Enron operating company, in October, 1997, his contract was renegotiated and extended through December 31, 2001. As a result, Mr. Skilling received on October 13, 1997, a grant of 972,090 Enron Corp. stock options with standard vesting of 20% at grant and 20% on each of the following four anniversary dates, a grant of 263,158 shares of Restricted Stock to vest 33 1/3% on each of the first three grant date anniversaries and a \$4,000,000 loan to accrue interest at the October, 1997 mid-term AFR of 6.24% compounded semiannually until maturity date of December 31, 2001. The terms of the contract specify that if Mr. Skilling fully performs all the duties and responsibilities expected of him in his position and under his employment agreement through December 31, 2001, then 50% of the loan amount will be forgiven and the remaining 50% shall be repaid by Enron. Mr. Skilling is responsible for 100% of the loan interest. If Mr. Skilling voluntarily terminates employment, or is terminated for cause prior to December 31, 2001, the entire loan amount and interest is due and payable. As an additional benefit to Mr. Skilling, Enron has entered into an agreement with Mr. Skilling to provide split-dollar life insurance whereby Enron will pay a portion of the annual premiums on a life insurance policy owned by Mr. Skilling, with recovery of the cost of such premiums upon Mr. Skilling's death. In 1997, the insurance premium paid by Enron was \$107,673 which generates no imputed income as

As of March —, the  
outstanding principal balance  
was 0.

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